

**REPORT OF THE AUDIT OF THE
LOGAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LOGAN COUNTY FISCAL COURT

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Logan County Fiscal Court for fiscal year ended June 30, 2011. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining funds of Logan County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$16,681,129 as of June 30, 2011. The fiscal court had unrestricted net assets of \$5,876,028 in its governmental activities as of June 30, 2011, with total net assets of \$16,660,315. In its business-type activities, total net cash and cash equivalents were \$15,321 with total net assets of \$20,814. The fiscal court had total debt principal as of June 30, 2011, of \$16,710,000 with \$790,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

Report Comment:

2011-01 The Jail Lacks Adequate Segregation Of Duties Over Commissary Transactions

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Logan County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
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Members of the Logan County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined as necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 2, 2012 on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2011-01 The Jail Lacks Adequate Segregation Of Duties Over Commissary Transactions

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accountants

April 2, 2012

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Logan Chick	County Judge/Executive
Jack Crossley	Magistrate
Curtis Watkins	Magistrate
Drexel Johnson	Magistrate
Russell Poore	Magistrate
Jo Orange	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Joe Ross	County Attorney
William Jenkins	Jailer
Scottie Harper	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer
Brenda Morrison	Personnel/Payroll Officer
Paul Lyne	Road Supervisor
Sue Carol Marshall	Occupational Tax Administrator

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LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

LOGAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,965,274	\$ 15,321	\$ 6,980,595
Total Current Assets	<u>6,965,274</u>	<u>15,321</u>	<u>6,980,595</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	2,015,148		2,015,148
Construction In Progress	12,315,996		12,315,996
Land Improvements	4,377		4,377
Buildings	4,175,131		4,175,131
Vehicles	556,971	400	557,371
Equipment	887,917	5,093	893,010
Infrastructure	6,449,501		6,449,501
Total Noncurrent Assets	<u>26,405,041</u>	<u>5,493</u>	<u>26,410,534</u>
Total Assets	<u>33,370,315</u>	<u>20,814</u>	<u>33,391,129</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	790,000		790,000
Total Current Liabilities	<u>790,000</u>		<u>790,000</u>
Noncurrent Liabilities:			
Bonds Payable	15,920,000		15,920,000
Total Noncurrent Liabilities	<u>15,920,000</u>		<u>15,920,000</u>
Total Liabilities	<u>16,710,000</u>		<u>16,710,000</u>
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	9,695,041	5,493	9,700,534
Restricted For:			
Protection to Persons and Property	24,799		24,799
General Health and Sanitation	62,537		62,537
Roads	128,731		128,731
Debt Service	873,179		873,179
Unrestricted	5,876,028	15,321	5,891,349
Total Net Assets	<u>\$ 16,660,315</u>	<u>\$ 20,814</u>	<u>\$ 16,681,129</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

June 30, 2011

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues Received			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 4,812,322	\$ 428,674	\$ 2,704,515	\$	
Protection to Persons and Property	2,522,913	414,723	392,753		
General Health and Sanitation	338,109	64,246	65,856		
Social Services	20,944				
Recreation and Culture	314,811		148,467		
Roads	1,446,118		239,224		1,823,737
Airports	17,500				
Interest On Long-term Debt	623,530				
Capital Projects	43,392				
Total Governmental Activities	10,139,639	907,643	3,550,815		1,823,737
Business-type Activities:					
Jail Canteen	69,298	71,091			
Total Business-type Activities	69,298	71,091			
Total Primary Government	\$ 10,208,937	\$ 978,734	\$ 3,550,815	\$	1,823,737

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Net Profits Fee
Other Taxes
In-Lieu of Tax

Miscellaneous Revenues

Interest Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,679,133)	\$	\$ (1,679,133)
(1,715,437)		(1,715,437)
(208,007)		(208,007)
(20,944)		(20,944)
(166,344)		(166,344)
616,843		616,843
(17,500)		(17,500)
(623,530)		(623,530)
(43,392)		(43,392)
(3,857,444)		(3,857,444)
	1,793	1,793
	1,793	1,793
(3,857,444)	1,793	(3,855,651)
1,157,673		1,157,673
261,196		261,196
159,260		159,260
2,055,192		2,055,192
711,895		711,895
736,059		736,059
308,606		308,606
126,703	381	127,084
30,714		30,714
5,547,298	381	5,547,679
1,689,854	2,174	1,692,028
14,970,461	18,640	14,989,101
\$ 16,660,315	\$ 20,814	\$ 16,681,129

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

LOGAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road And Bridge Fund	Public Properties Corporation - Detention Center Fund	Public Properties Corporation - Justice Center Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 5,859,076	\$ 128,731	\$ 341,851	\$ 531,328	\$ 104,288	\$ 6,965,274
Total Assets	<u>5,859,076</u>	<u>128,731</u>	<u>341,851</u>	<u>531,328</u>	<u>104,288</u>	<u>6,965,274</u>
FUND BALANCES						
Restricted For:						
Protection to Persons and Property	11,009				13,790	24,799
General Health and Sanitation	62,537					62,537
Roads		128,731				128,731
Debt Service			341,851	531,328		873,179
Committed To:						
General Government					90,498	90,498
Assigned To:						
General Government	4,611,147					4,611,147
Protection to Persons and Property	25,029					25,029
General Health and Sanitation	344,153					344,153
Social Services	2,492					2,492
Recreation and Culture	7,145					7,145
Airport	3,184					3,184
Administration	2,349					2,349
Unassigned	<u>790,031</u>					<u>790,031</u>
Total Fund Balances	<u>\$ 5,859,076</u>	<u>\$ 128,731</u>	<u>\$ 341,851</u>	<u>\$ 531,328</u>	<u>\$ 104,288</u>	<u>\$ 6,965,274</u>

Reconciliation of the Balance Sheet-Governmental Funds to Statement of Net Assets

Total Fund Balances	\$ 6,965,274
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	32,925,428
Accumulated Depreciation	(6,520,387)
Long-term Debt Is Not Due and Payable in the Current Period And, Therefore,	
Is Not Reported In The Funds.	
Due Within One Year - Bond Principal Payments	(790,000)
Due In More Than One Year - Bond Principal Payments	(15,920,000)
Net Assets Of Governmental Activities	<u>\$ 16,660,315</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Public Properties Corporation - Detention Center Fund	Public Properties Corporation - Justice Center Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 4,685,828	\$	\$	\$	\$ 348,222	\$ 5,034,050
In Lieu Tax Payments	308,606					308,606
Licenses and Permits	418,319					418,319
Intergovernmental	2,667,351	2,062,961		1,071,224		5,801,536
Charges for Services	25,366					25,366
Miscellaneous	190,033	11,433			9,737	211,203
Interest	18,269		12,188	257		30,714
Total Revenues	<u>8,313,772</u>	<u>2,074,394</u>	<u>12,188</u>	<u>1,071,481</u>	<u>357,959</u>	<u>11,829,794</u>
EXPENDITURES						
General Government	3,519,570	363				3,519,933
Protection to Persons and Property	2,056,314				439,823	2,496,137
General Health and Sanitation	286,653					286,653
Social Services	20,944					20,944
Recreation and Culture	314,811					314,811
Roads		2,056,556				2,056,556
Airports	17,500					17,500
Debt Service			324,306	1,069,224		1,393,530
Capital Projects		43,928		995,903		1,039,831
Administration	866,080	181,262		2,000	142,195	1,191,537
Total Expenditures	<u>7,081,872</u>	<u>2,282,109</u>	<u>324,306</u>	<u>2,067,127</u>	<u>582,018</u>	<u>12,337,432</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,231,900</u>	<u>(207,715)</u>	<u>(312,118)</u>	<u>(995,646)</u>	<u>(224,059)</u>	<u>(507,638)</u>
Other Financing Sources (Uses)						
Transfers To Other Funds	(710,733)		(6,898)			(717,631)
Transfers From Other Funds	6,898	190,000	316,733		204,000	717,631
Total Other Financing Sources (Uses)	<u>(703,835)</u>	<u>190,000</u>	<u>309,835</u>		<u>204,000</u>	
Net Change in Fund Balances	528,065	(17,715)	(2,283)	(995,646)	(20,059)	(507,638)
Fund Balances - Beginning (Restated)	5,331,011	146,446	344,134	1,526,974	124,347	7,472,912
Fund Balances - Ending	<u>\$ 5,859,076</u>	<u>\$ 128,731</u>	<u>\$ 341,851</u>	<u>\$ 531,328</u>	<u>\$ 104,288</u>	<u>\$ 6,965,274</u>

The accompanying notes are an integral part of the financial statements.

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**LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

LOGAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (507,638)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	2,379,964
Depreciation Expense	(921,380)
Book Value - Disposed Capital Assets	(31,092)
The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However Have No Effect On Net Assets.	
Bonded Debt Principal Payments	<u>770,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,689,854</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

LOGAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 15,321
Total Current Assets	<u>15,321</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	4,000
Equipment	14,927
Less: Accumulated Depreciation	<u>(13,434)</u>
Total Noncurrent Assets	<u>5,493</u>
Total Assets	<u>20,814</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	5,493
Unrestricted	<u>15,321</u>
Total Net Assets	<u><u>\$ 20,814</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

LOGAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 71,091
Other Receipts	381
Total Operating Revenues	<u>71,472</u>
Operating Expenses	
Cost of Sales	51,614
Educational and Recreational	5,447
Sales Tax	4,170
Depreciation	1,911
Miscellaneous	6,156
Total Operating Expenses	<u>69,298</u>
Operating Income (Loss)	<u>2,174</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	3,521
Inmate Refunds on Accounts	(3,521)
Total Nonoperating Revenues (Expenses)	<u>0</u>
Change In Net Assets	2,174
Total Net Assets - Beginning (Restated)	<u>18,640</u>
Total Net Assets - Ending	<u><u>\$ 20,814</u></u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

LOGAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 71,091
Miscellaneous Cash Receipts	381
Cash Payments To Vendors	(57,061)
Cash Payments To State	(4,170)
Miscellaneous Cash Payments	(6,156)
Net Cash Provided (Used) By Operating Activities	<u>4,085</u>
Cash Flows From Noncapital Financing Activities	
Cash Received for State Inmate Pay	3,521
Cash Payments for State Inmate Pay	(3,521)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>0</u>
Cash Flows From Capital And Related Financing Activities	
Purchase of Equipment	(2,200)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(2,200)</u>
Net Decrease in Cash and Cash Equivalents	1,885
Cash and Cash Equivalents - July 1, 2010	<u>13,436</u>
Cash and Cash Equivalents - June 30, 2011	<u>\$ 15,321</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities	
Operating Income	\$ 2,174
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>1,911</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 4,085</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

LOGAN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Fund</u>
	Flex
	Spending
	Account
	<u></u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,183
Total Assets	<u>4,183</u>
Liabilities	
Current Liabilities:	
Amounts Held in Custody for Others	4,183
Total Liabilities	<u>\$ 4,183</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has one discretely presented component unit, the Logan County Tourist and Convention Commission (Commission). The Commission's financial statements have not been included in the County's financial statements, as they are considered immaterial.

Blended Component Units

Logan County Public Properties Corporation

The Logan County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within Logan County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (capital projects) Justice Center Fund and (debt service) Detention Center Fund.

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Logan County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Logan County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions and; 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund – Justice Center – The purpose of this fund is to account for bond proceeds, capital construction costs, and debt service payments related to the Justice Center.

Public Properties Corporation Fund – Detention Center – The purpose is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Detention Center and the Justice Center.

The primary government also has the following nonmajor funds: Life Skills Revolving Loan Fund and the 911 Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Special Revenue Funds:

The Life Skills Revolving Loan Fund and the 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Properties Corporation Fund - Detention Center is presented as a debt service fund. The debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest related to the Detention Center.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Capital Projects Fund:

The Public Properties Corporation Fund - Justice Center is presented as a capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Flex Spending Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Flex Spending Account - This fund accounts for funds received from employees, which are held until an employee is reimbursed for a reimbursable expense.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	20-25
Buildings	15,000	10-60
Building Improvements	25,000	10-60
Machinery and Equipment	1,000	3-25
Vehicles	1,000	3-12
Infrastructure	20,000	20-40

LOGAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt payments and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the County using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specific purpose by the County or the delegated county committee of official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the Treasurer to carry out the intent of the Fiscal Court.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Department for Local Government does not require a budget of the Public Properties Corporation – Detention Center Fund and Justice Center Fund.

J. Related Organizations, Joint Ventures, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District. The Fiscal Court's accountability for these organizations, however, does not extend beyond making the appointments.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Logan County Fiscal Court: Joint City-County Planning Commission and Board of Adjustment (Planning Commission). Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville. The Planning Commission is governed by an eleven-member board composed of five appointees from the Logan County Fiscal Court, three appointees from the City of Russellville and one appointee each from the cities of Adairville, Auburn, and Lewisburg. All participants are obligated to pay expenses not met by Federal and State funds on a pro rata basis.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. On September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, the public funds were covered by FDIC insurance or pledged securities and a properly executed collateral security agreement.

Note 3. Interfund Transfers

	General Fund	Public Properties Corporation - Detention Center Fund	Total Transfers In
General Fund	\$	\$ 6,898	\$ 6,898
Road Fund	190,000		190,000
Public Properties Corporation- Detention Center Fund	316,733		316,733
Non-Major Funds	204,000		204,000
Total Transfers Out	<u>\$ 710,733</u>	<u>\$ 6,898</u>	<u>\$ 717,631</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government: <u>Governmental Activities:</u>	(Restated)			
Capital Assets Not Being Depreciated:				
Land	\$ 2,000,268	\$ 14,880	\$	\$ 2,015,148
Construction in Progress	11,326,517	989,479		12,315,996
Total Capital Assets Not Being Depreciated	13,326,785	1,004,359		14,331,144
Capital Assets, Being Depreciated:				
Land Improvements	4,377			4,377
Buildings	6,912,870	27,229	(68,000)	6,872,099
Vehicles	1,078,003	149,465	(13,250)	1,214,218
Equipment	2,134,351	98,328	(5,535)	2,227,144
Infrastructure	7,175,863	1,100,583		8,276,446
Total Capital Assets Being Depreciated	17,305,464	1,375,605	(86,785)	18,594,284
Less Accumulated Depreciation For:				
Buildings	(2,586,140)	(150,608)	39,780	(2,696,968)
Vehicles	(572,804)	(96,368)	11,925	(657,247)
Equipment	(1,178,290)	(164,925)	3,988	(1,339,227)
Infrastructure	(1,317,466)	(509,479)		(1,826,945)
Total Accumulated Depreciation	(5,654,700)	(921,380)	55,693	(6,520,387)
Total Capital Assets, Being Depreciated, Net	11,650,764	454,225	(31,092)	12,073,897
Governmental Activities Capital Assets, Net	\$ 24,977,549	\$ 1,458,584	\$ (31,092)	\$ 26,405,041

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 177,330
Protection to Persons and Property	135,841
General Health and Sanitation	23,361
Roads, Including Depreciation of General Infrastructure Assets	584,848
Total Depreciation Expense - Governmental Activities	<u>\$ 921,380</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for Business-type Activities for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Primary Government: (Continued)				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 4,000	\$	\$	\$ 4,000
Equipment	12,727	2,200		14,927
Total Capital Assets Being Depreciated	16,727	2,200		18,927
Less Accumulated Depreciation for:				
Vehicles	(3,600)			(3,600)
Equipment	(7,923)	(1,911)		(9,834)
Total Accumulated Depreciation	(11,523)	(1,911)		(13,434)
Total Capital Assets, Being Depreciated, Net	5,204	289		5,493
Business-Type Activities Capital Assets, Net	\$ 5,204	\$ 289	\$ 0	\$ 5,493

Depreciation expense was charged to functions of the Business-type Activities as follows:

<u>Business-Type Activities</u>	
Jail Canteen	\$ 1,911
Total Depreciation Expense - Business-Type Activities	\$ 1,911

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2008

On February 1, 2008, Logan County Public Properties Corporation issued first mortgage revenue bonds to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. At the date of sale, there was \$4,479 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts.

Total bonds outstanding as of June 30, 2011 totaled \$13,085,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 580,000	\$ 492,424
2013	595,000	475,024
2014	615,000	457,174
2015	630,000	438,724
2016	650,000	419,194
2017-2021	3,620,000	1,738,869
2022-2026	4,385,000	971,656
2027-2028	2,010,000	127,756
Totals	<u>\$ 13,085,000</u>	<u>\$ 5,120,821</u>

B. First Mortgage Revenue Bonds, Series 2010

On March 18, 2010, Logan County Public Properties Corporation issued first mortgage revenue bonds to refund the September 1, 1998 first mortgage revenue bonds. The total bond issue was in the amount of \$3,835,000, with interest rates of 3.62%. Interest is payable on March 1 and September 1 of each year.

Total bonds outstanding as of June 30, 2011 totaled \$3,625,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2012	\$ 210,000	\$ 115,875
2013	215,000	111,625
2014	220,000	107,275
2015	225,000	102,825
2016	230,000	97,700
2017-2021	1,285,000	371,038
2022-2025	1,240,000	101,800
Totals	<u>\$ 3,625,000</u>	<u>\$ 1,008,138</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
First Mortgage Revenue Bonds	\$ 17,480,000	\$	\$ 770,000	\$ 16,710,000	\$ 790,000
Governmental Activities Long-term Liabilities	\$ 17,480,000	\$	\$ 770,000	\$ 16,710,000	\$ 790,000

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows;

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On June 13, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2011, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Change in Accounting Principle

The Logan County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of Fund Balance on the Balance Sheet – Governmental Funds and the presentation of funds. The Jail Fund, LGEA Fund, Solid Waste/Recycling Fund, Occupational Tax/Net Profits Tax Fund, and Hospital Special Reserve Fund previously presented no longer meet the definition of a special revenue fund and have now been combined with the General Fund. The implementation did not cause a restatement of total beginning fund balance of beginning net assets.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 10. Prior Period Adjustments

The prior year net asset ending balance has been restated for the following:

	<u>Governmental Activities</u>
Net Assets Ending Balance Prior Year	\$ 15,075,133
Adjustments:	
Prior Year Voided Checks	1,013
Rounding Difference	3
Capital Assets Overstated In Prior Year	(125,872)
Accumulated Depreciation Overstated In Prior Year	<u>20,184</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 14,970,461</u></u>
	<u>Business-Type Activities</u>
Net Assets Ending Balance Prior Year	\$ 18,100
Adjustments:	
Accumulated Depreciation Overstated In Prior Year	<u>540</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 18,640</u></u>

The prior year governmental fund balance ending balances have been restated for the following:

	<u>General Fund</u>
Ending Fund Balance Prior Year	\$ 866,641
Adjustments:	
Prior Year Voided Checks	1,013
Rounding Difference	4
Jail Fund	59,742
LGEA Fund	1,668
Solid Waste/Recycling Fund	274,966
Occupational Tax/Net Profits Tax Fund	747,487
Hospital Special Reserve Fund	<u>3,379,490</u>
Beginning Fund Balance - Restated	<u><u>\$ 5,331,011</u></u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION – Modified Cash Basis

For The Year Ended June 30, 2011

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2011

GENERAL FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,779,610	\$ 1,779,610	\$ 1,918,740	\$ 139,130
In Lieu Tax Payments	277,341	277,341	308,606	31,265
Licenses and Permits	25,483	25,483	26,110	627
Intergovernmental Revenue	1,869,679	1,884,664	1,985,980	101,316
Miscellaneous	22,766	33,637	62,461	28,824
Total Revenues	<u>3,974,879</u>	<u>4,000,735</u>	<u>4,301,897</u>	<u>301,162</u>
EXPENDITURES				
General Government	3,789,300	3,827,610	3,344,093	483,517
Protection to Persons and Property	636,199	669,106	608,860	60,246
General Health and Sanitation	300	300	300	
Recreation and Culture	245,000	245,000	243,230	1,770
Capital Projects	96,803	96,803		96,803
Administration	525,146	512,136	459,454	52,682
Total Expenditures	<u>5,292,748</u>	<u>5,350,955</u>	<u>4,655,937</u>	<u>695,018</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,317,869)</u>	<u>(1,350,220)</u>	<u>(354,040)</u>	<u>996,180</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds				
Transfers From Other Funds	630,869	630,869	350,000	(280,869)
Total Other Financing Sources (Uses)	<u>630,869</u>	<u>630,869</u>	<u>350,000</u>	<u>(280,869)</u>
Net Changes in Fund Balance	(687,000)	(719,351)	(4,040)	715,311
Fund Balance - Beginning (Restated)	<u>687,000</u>	<u>687,000</u>	<u>867,619</u>	<u>180,619</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (32,351)</u>	<u>\$ 863,579</u>	<u>\$ 895,930</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,836,609	\$ 2,036,609	\$ 2,062,961	\$ 26,352
Miscellaneous	5,500	16,500	11,433	(5,067)
Total Revenues	1,842,109	2,053,109	2,074,394	21,285
EXPENDITURES				
General Government	400	400	363	37
Roads	2,158,926	2,372,904	2,056,556	316,348
Capital Projects	130,000	130,000	43,928	86,072
Administration	225,012	222,034	181,262	40,772
Total Expenditures	2,514,338	2,725,338	2,282,109	443,229
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(672,229)	(672,229)	(207,715)	464,514
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	525,784	525,784	190,000	(335,784)
Total Other Financing Sources (Uses)	525,784	525,784	190,000	(335,784)
Net Changes in Fund Balance	(146,445)	(146,445)	(17,715)	128,730
Fund Balance - Beginning	146,445	146,445	146,446	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 128,731	\$ 128,731

LOGAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Beginning Fund Balance - Budgetary Basis	\$ 867,619
Jail Fund - Beginning Fund Balance	59,777
LGEA Fund - Beginning Fund Balance	1,669
Solid Waste Fund - Beginning Fund Balance	274,968
Occupational Tax Fund - Beginning Fund Balance	747,487
Special Reserve Fund - Beginning Fund Balance	<u>3,379,491</u>
Beginning Fund Balance - Modified Cash Basis	<u><u>\$ 5,331,011</u></u>
 Total Revenues - Budgetary Basis	 \$ 4,301,897
Jail Fund - Revenues	569,992
LGEA Fund - Revenues	139,962
Solid Waste Fund - Revenues	516,564
Occupational Tax Fund - Revenues	2,767,088
Special Reserve Fund - Revenues	<u>18,269</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 8,313,772</u></u>
 Total Expenditures - Budgetary Basis	 \$ 4,655,937
Jail Fund - Budgeted Expenditures	1,794,905
LGEA Fund - Budgeted Expenditures	311,350
Solid Waste Fund - Budgeted Expenditures	240,391
Occupational Tax Fund - Budgeted Expenditures	<u>79,289</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 7,081,872</u></u>
 Ending Fund Balance - Budgetary Basis	 \$ 863,579
Jail Fund - Ending Fund Balance	25,029
LGEA Fund - Ending Fund Balance	57,682
Solid Waste Fund - Ending Fund Balance	319,741
Occupational Tax Fund - Ending Fund Balance	1,195,285
Special Reserve Fund - Ending Fund Balance	<u>3,397,760</u>
Ending Fund Balance - Modified Cash Basis	<u><u>\$ 5,859,076</u></u>

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**LOGAN COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2011

LOGAN COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Life Skills Revolving Loan Fund	911 Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 90,498	\$ 13,790	\$ 104,288
Total Assets	<u>90,498</u>	<u>13,790</u>	<u>104,288</u>
FUND BALANCES			
Restricted For:			
Protection to Persons and Property		13,790	13,790
Committed To:			
General Government	<u>90,498</u>		<u>90,498</u>
Total Fund Balances	<u>\$ 90,498</u>	<u>\$ 13,790</u>	<u>\$ 104,288</u>

The accompanying notes are an integral part of the financial statements.

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LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

LOGAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Life Skills Revolving Loan Fund	911 Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$	\$ 348,222	\$ 348,222
Miscellaneous	9,600	137	9,737
Total Revenues	<u>9,600</u>	<u>348,359</u>	<u>357,959</u>
EXPENDITURES			
Protection to Persons and Property		439,823	439,823
Administration		142,195	142,195
Total Expenditures		<u>582,018</u>	<u>582,018</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>9,600</u>	<u>(233,659)</u>	<u>(224,059)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds		204,000	204,000
Total Other Financing Sources (Uses)		<u>204,000</u>	<u>204,000</u>
Net Change in Fund Balances	9,600	(29,659)	(20,059)
Fund Balances - Beginning	80,898	43,449	124,347
Fund Balances - Ending	<u>\$ 90,498</u>	<u>\$ 13,790</u>	<u>\$ 104,288</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

**Report on Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Logan County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 2, 2012. Logan County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Logan County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Logan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Logan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2011-01 to be a material weakness.



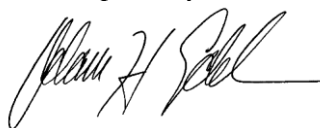
Report on Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Logan County Fiscal Court's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accountants

April 2, 2012

COMMENT AND RECOMMENDATION

**LOGAN COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2011

INTERNAL CONTROL – MATERIAL WEAKNESS:

2011-01 The Jail Lacks Adequate Segregation Of Duties Over Commissary Transactions

The bookkeeper for the Jail Commissary prepares deposits, prepares daily checkout sheets, and posts to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, writes and signs checks, posts to the disbursements ledger, and prepares the monthly bank reconciliations. The Jailer or another individual did not document oversight of any of these activities.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting which could occur but go undetected.

The Jailer should offset the lack of adequate segregation of duties by implementing compensating controls such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkouts and the receipts ledger, reconciling any differences. In addition, the Jailer should compare the monthly reports to the receipts and disbursements ledgers for accuracy. Initialing and dating the bank reconciliations, bank deposits, daily checkout sheets, receipts and disbursements ledgers, and reports can document this review.

County Jailer's Response: The official did not respond.

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LOGAN COUNTY FISCAL COURT


For The Fiscal Year Ended
June 30, 2011

Appendix A

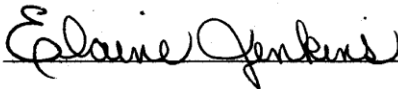
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

